

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION**

**IN RE: BLOCK ISLAND UTILITY DISTRICT** :  
**d/b/a BLOCK ISLAND POWER COMPANY** :  
**LAST RESORT PROCUREMENT PLAN AND** : **DOCKET NO. 22-44-EL**  
**LAST RESORT SERVICE AND** :  
**TRANSMISSION RATES** :

**REPORT AND ORDER**

On November 3, 2022, the Block Island Utility District d/b/a Block Island Power Company (BIUD) filed with the Public Utilities Commission (Commission) its annual Last Resort Service (LRS) and transmission rates for the period commencing January 1, 2023, together with a request to change its reconciliation period from a 12-month period ending May 31<sup>st</sup> each year to a calendar year period. BIUD advised that it had changed its fiscal year to coincide with the calendar year. BIUD’s most recent LRS and transmission rate matter was effective June 1, 2022. The reason for the mid-year adjustment, according to BIUD, was its decision to amend and extend its supply contracts. The filing also included the net metering credit rate that would be effective on January 1, 2023.<sup>1</sup>

BIUD subsequently filed revised rates based on updated actual expenses based in invoices received after the filing, inclusion of actual fuel costs for a two-day outage in November, and updating the line loss calculation based on discovery responses.<sup>2</sup> The result of the filing was an increase in LRS and transmission rates charged to customers compared to the relevant seasonal rate in effect for the period that commenced June 1, 2022. Following an exchange of discovery, a

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<sup>1</sup> BIUD’s Filing, includes Bebyn Test. and Attach (Nov. 3, 2022);

<https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-11/2244-BIUD-LRS-TCFiling%2011-3-2022.pdf>.

<sup>2</sup> BIUD’s Amended Filing (Dec. 9, 2023); <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-12/2244-BIUD-SuppTestimony%2012-9-22.pdf>; See BIUD’s Response to PUC 1-3 relating to the calculation of line losses; <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-11/2244-BIUD-DR-PUC1%2011-18-22.pdf>.

review of a memorandum from the Division of Public Utilities and Carriers (Division) recommending approval,<sup>3</sup> and an evidentiary hearing, the Commission approved the rates proposed in the December 9, 2022 supplemental filing.

The LRS procurement plan developed by BIUD is a portfolio of contracts, with 79% from bilateral contracts, 10% from a New York Power Authority allocation, and 8% from renewable energy projects.<sup>4</sup> This portfolio represents a 10% increase in the bilateral contract portion with a decrease in spot market exposure compared to the most recently approved procurement plan. At the previous hearing held in May 2022, Mr. Wright expressed concern with the 2022-2023 winter, noting that having market exposure in the spring, summer, and fall is not particularly concerning, but that “we’ve got some work to do before next winter given the change in the power markets in the last year.”<sup>5</sup> At the hearing in this matter, Mr. Wright explained that BIUD engaged its consultant, Energy New England (ENE) in June 2022 to review their power supply contracts and market exposure. He indicated that the primary goal was to provide stable prices to customers. Because of the recent volatility in the spot market pricing, BIUD, with the assistance of ENE, renegotiated its load following contract to eliminate spot market exposure through October 31, 2025.<sup>6</sup> This resulted in increased LRS pricing, but significantly limited the volatility that exists from spot market exposure.

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<sup>3</sup> Contente Mem. (Dec. 7, 2022); <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-12/2244-DIV-Position%2012-7-22.pdf> (The Division had recommended approval of the originally filed rates prior to having the updated information from BIUD. The Division amended its position at the hearing to recommend approval of the revised rates as filed); Hr’g Tr. at 54 (Dec. 14, 2022).

<sup>4</sup> BIUD’s Response to PUC 3-2; The cost of the renewable energy supply contracts will be offset through the sales of Renewable Energy Certificates (RECs). BIUD has used a conservative estimate of \$5.00 per REC. BIUD projected an expense of \$57,536 with an offset of \$5,409 in REC sales for the Cabot/Turner Falls hydroelectric contract. Bebyn Test. at 5.

<sup>5</sup> PUC Order No. 24561 (Dec. 23, 2022); quoting Hr’g. Tr. at 25-26 (May 10, 2022).

<sup>6</sup> Hr’g. Tr. at 13-15 (Dec. 14, 2022); Bebyn Test. at 2 (Nov. 3, 2022).

At the hearing, Ken Stambler, Senior Director of Energy Procurement for ENE, explained that the decision to contract for the additional load following energy through October 2025 instead of a one-year amendment through October 2024 was to hopefully allow for the wholesale markets, currently impacted by the war in Ukraine, LNG supply issues, and presidential administrative environmental and regulatory policies, to readjust.<sup>7</sup>

Turning to forecasting, the last resort service and transmission charges are based on a projection of BIUD's sales and the expense it incurs from its supply contracts and from ISO-NE transmission charges. BIUD's revised LRS rates filed on December 9, 2022, were designed to collect energy and capacity costs of \$1,477,048 which, when netted to include return of an overcollection from the periods ending December 2021 and December 2022, required LRS rates to recover \$1,451,887 for the period commencing January 1, 2023. BIUD projected 14,008,000 kWh of sales to customers over the same period resulting in a LRS rate of \$0.1036 per kWh.<sup>8</sup> The updated net metering charge was proposed to be \$0.1558 per kWh.<sup>9</sup> At the hearing, Christina Beaudry, Executive Director of Market Operation and Finance at ENE, explained that the ISO-NE Ancillary Services expense was based on historical information, a worksheet provided by ISO-NE, and some predictions by her team. The reason for the uncertainty arose from an ISO-NE determination that the Mystic nuclear generating unit should be entitled to a cost of service payment for reliability, the amount of which was not made public by ISO-NE.<sup>10</sup>

At an Open Meeting conducted on December 22, 2022, the Commission reviewed the record and approved the change in the reconciliation period to a calendar year. The Commission also approved the revised rates that were filed on December 9, 2022, finding them to be reasonably

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<sup>7</sup> Hr'g. Tr. at 20-21 (Dec. 14, 2022).

<sup>8</sup> Schedule DGB-1 Supplemental-amend 12-14.

<sup>9</sup> *Id.*

<sup>10</sup> Hr'g. Tr. at 16-17 (Dec. 14, 2022).

calculated. The proposed rates are based on the revised procurement plan which is designed to reduce BIUD's exposure to the spot market price volatility. As the pricing differences show, there is a cost to shift the risk from the ratepayers onto the power supplier. The Commission notes that BIUD vetted its proposal with its board in a public forum before proposing it to the Commission.

Accordingly, it is hereby

(24611) ORDERED:

1. Block Island Utility District's proposal to use a 12-month period from January through December each year to forecast and reconcile last resort service and transmission expenses to revenues is hereby approved for effect January 1, 2023.
2. The rates filed by Block Island Utility District on December 9, 2022, are hereby approved for effect January 1, 2023.
3. Block Island Utility District d/b/a Block Island Power Company's Last Resort Service Procurement Plan is hereby approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 1, 2023, PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 22, 2022. WRITTEN ORDER ISSUED MARCH 1, 2023.

PUBLIC UTILITIES COMMISSION



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Ronald T. Gerwatowski, Chairman



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Abigail Anthony, Commissioner



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John C. Revens, Jr., Commissioner

**NOTICE OF RIGHT OF APPEAL:** Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 1, 2023, PURSUANT  
TO AN OPEN MEETING DECISION ON DECEMBER 22, 2022. WRITTEN ORDER  
ISSUED MARCH 1, 2023.

PUBLIC UTILITIES COMMISSION



*Ronald T. Gerwatowski*

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Ronald T. Gerwatowski, Chairman

*Abigail Anthony*

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